

Beyond the Bailout – Solving the Crisis from the Bottom Up

Today, we find ourselves in the midst of the most significant economic crisis of our generation, perhaps since the 1929 Depression. The subprime mortgage meltdown and housing market collapse have sent shock waves throughout our economy and the world.

This cascading effect of tightened credit has led to unprecedented government bailouts of private companies and a surge in business bankruptcies. In October of 2008, Congress passed a massive financial rescue package. While some are still debating the merits of that bill, certain things are beyond debate. First, we must realize that the financial rescue bill alone can't solve the root of our economic problems, namely the foreclosure crisis and resulting loss in home values. And two, we must begin to plan our next course of action, which needs to include a robust economic stimulus package that creates jobs and gets our economy going again.

Our next steps also must include reforms that will help stem the foreclosure crisis. One of the most critical, yet common sense, reforms would be to amend bankruptcy laws so that homeowners can have their mortgages modified under court protection. This is an issue I have worked on for more than a year. Today I am still asking why our laws allow the wealthy who own second and third homes, or even yachts, to renegotiate terms on their mortgages in bankruptcy, while those who own only one home cannot.

In the midst of the current foreclosure crisis, millions of American families are experiencing financial distress and many may be forced to file for bankruptcy protection. Yet the bankruptcy laws currently do not allow any wiggle room for those families when it comes to renegotiating mortgages on their principal residences in order to save their homes from imminent foreclosure. Many homeowners are now unable to renegotiate their loans just as their unaffordable monthly payments peak to new highs. So, even though they might seek to protect their only asset -- their home -- in bankruptcy, they may lose it anyway. It's not only unjust, it just doesn't make any economic sense.

A bill that I am co-sponsoring would right this wrong. The Emergency Home Ownership and Mortgage Equity Protection Act would treat a mortgage like other secured debt, allowing a bankruptcy court to restructure its terms so that it would be affordable for the homeowner. This much-needed bankruptcy reform would allow the outrageous terms of subprime and non-traditional mortgages to be readjusted, giving homeowners leverage in dealing with lenders and servicers. This is arguably the best way to prevent foreclosures and helps solve the Wall Street crisis from the bottom up.

As Congress continues to address the economic slowdown in the months to come, I look forward to a new economic recovery package that includes homeowner relief. Including bankruptcy reform would be a step toward solving the crisis where it impacts American families

the most.